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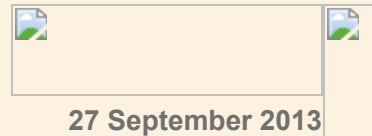
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Subject: Best of Lex: Week ending Friday 27 September



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This week's Best of Lex

27 September 2013

Exclusively for Premium Subscribers

Letter from Lex: it's all right, M&A

If mergers and acquisitions are a sign of economic virility, this week would suggest the global economy has come a long way since the collapse of Lehman. While M&A activity in Europe may have fallen a quarter in the past nine months from a year ago, there was plenty of action elsewhere.

Applied Materials, the leader in semiconductor manufacturing equipment announced a \$10bn all-stock merger with Japan's Tokyo Electron. Another Japanese company, Lixil, bought Grohe, a German maker of bathroom fittings worth €3.1bn. Meanwhile, Michael Dell's leveraged buyout offer for the beleaguered computer maker he founded finally came to a close. And struggling BlackBerry found a buyer in the form of Fairfax Financial, but that is not yet a done deal. Finally, activist investor Starboard Value failed to find counter bidders for Smithfield Foods. That leaves China's Shuanghui as the clear frontrunner to buy the US pork producer.

Elsewhere, investors in JPMorgan are in a bind as legal settlements drag on. This week the bank paid \$1bn in penalties for the London Whale trading scandal while its chief executive met the US attorney-general to try to close in on a settlement for alleged mis-selling of mortgage-backed securities.

JC Penney, the US retailer, also suffered a rollercoaster ride this week. Its shares plunged 15 per cent on Wednesday after a research report from Goldman Sachs forecast a slower-than-expected improvement in sales. The stock bounced back on Thursday when the retailer said it was pleased with same store sales growth only to start falling again after announcing it will sell nearly a third of the company in a public offering to raise cash. In Asia, it turns out the Hong Kong stock exchange does not want the business – it turned down Chinese internet group Alibaba's attempts to list there. But the exchange had good grounds to put its foot down – Alibaba's founders wanted more control than their ownership warrants.

John Casey, Lex Publisher

Best of Lex articles

Global M&A: confidence trick?

European M&A is at its lowest level for nearly a decade, a sharp contrast with the global trend – but should investors care?.

Applied Materials / Tokyo Electron

Mergers of equals do not exist. Applied Materials is buying Tokyo Electron at a modest premium.

Lixil / Grohe: home improvements

Lixil building materials group shows Japan's seemingly sudden dealmaking mojo is less a product of Abenomics than the country's long-term trends.

BlackBerry: buy me, maybe?

The value of the Canadian company's cash, revenues, patents and liabilities are uncertain. Other than that it's easy to value.

Smithfield: a ham in hand

The failure of Smithfield's activists to get a higher bid shows that management is not always overmatched.

JPMorgan: reserve conundrum

One key piece of information is missing: the total amount of existing litigation reserves, but to release this number shouts what one is willing to pay.

JC Penney: rollercoaster ride

The question is whether the flagging US department store's turnaround plan can work before the company's coffers are emptied.

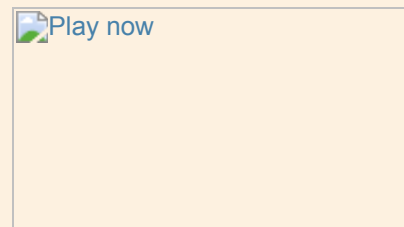
Alibaba: no open sesame

Losing the Alibaba listing will hurt the Hong Kong exchange in the short term, but a reputation for protecting shareholders is a valuable asset.

Video of the week

Banks await rough trade records

With third-quarter results expected to expose vulnerabilities in fixed income, currency and commodity trading, Lex's Vincent Boland and Oliver Ralph discuss the shrunk investment banking landscape.



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